# Annual Report 2023

## Indigo Community Development Group Limited

Community Bank
Beechworth & District

ABN 38 146 766 725

# Contents

# Chair's report

For year ending 30 June 2023

It is with great pleasure I present the twelfth Annual Report on behalf of the Indigo Community Development Group Limited. The business is continuing to grow and for a community owned bank we have a balanced set of books with almost equal amounts of deposits and loans. This means as interest rates have increased during this financial year the return on bank cash deposits earn us more income. The return on the banks cash deposits has balanced the decreasing returns from the loan market which occurs across the industry as interest rates rise.

Community Bank Beechworth & District has once again experienced growth and we ended the financial year with funds under management totalling over $116 million. Our after-tax profit for Indigo Community Development Group Limited was $162,164 for the financial year up from $70,072 for the 2021/22 financial year.

The 2022/23 financial year paid $49,374 of dividends at a rate of 6 cents fully franked per share. It is pleasing to yet again be able to reward the shareholders who own nearly 890,000 shares in the company.

We contributed $250,000 to the Community Enterprise Foundation™ during the year. We now have $700,000 in this foundation for philanthropic projects. We have used the foundation to provide funding to improve Christmas decorations and street lighting in Beechworth. We continue to look to fund other major projects for our community in conjunction with Indigo Shire and community service organisations.

We continued our Community Grants Program again this year and have committed more than $70,000 to 21 different projects within the Indigo Shire. Each of these projects is being run by a different community organisation.

We continue to participate in the Bendigo Bank bachelor's degree Scholarship Program. For the first time in our history, we committed to supporting four first year students in the program. This Scholarship is $3,000 per year for each of the recipients first year university. The successful applicants will return to university next year and we will continue supporting them in their education with a second $3,000. We will continue to participate in this program next financial year and are looking to extend the scholarship program to support people who are attending training to as part of a career change.

All Community Enterprise Foundation™ contributions, as well as grants and sponsorships to the community groups have only been made possible by the ongoing support of our shareholders and banking customers. The more we can all support Community Bank Beechworth & District, the more the bank is able to support the community.

We have had an internal restructure within our branch staff. Karlene Beck has commenced as our Branch Manager replacing Sam Johanson, Lorri Campbell has been promoted into a new position as the Customer Relationship Manager, Melody McHale is our Senior Customer Service Officer and Jo Terry and Desley Brown are our Customer Service Officers. Lauren Bell as our trainee completed her Certificate III and was within three weeks of completing her certificate IV when her Registered Training Provider went insolvent. Lauren has subsequently been recruited into another role within Bendigo Bank. On behalf of the Board, I would like to thank all the staff for their efforts and commitment to our Community Bank branch.

Finally, I must thank my fellow Directors for the time that they make available to make Community Bank Beechworth & District a success. The branch would not succeed if it were not for all the effort that they put into it after their own employment and family time. We are all very positive about the future and believe Indigo Community Development Group Limited will remain profitable and Community Bank Beechworth & District an integral part of the Beechworth and District Community.

**Ben Merritt**
**Deputy Chair**

# Manager's report

For year ending 30 June 2023

Financial year 2023 saw a period of consolidation and growth for Community Bank Beechworth & District. It is a pleasing result for all involved, from the staff, volunteer Directors, our customers, our shareholders but most of all, a great result for our local Indigo Shire Community.

Community Bank Beechworth & District ended the financial year with funds under management totalling over $119 million. This represents a year-on-year increase of over 3%.

Further year-on-year increases included loan approvals steady, loan settlements steady, customer numbers up 5%, and pleasingly loan discharges decreased.

I believe the growth that we continue to achieve is a testament to the Community Bank model and the unique point of difference we offer with what we contribute back to our local community.

This year began with a market of a very low interest rates, thin margins, strong competition and a continued focus on data integrity and reporting. We experienced interest rate rises on both loan and deposit accounts, with Bendigo Bank following the load of the Reserve Bank.

From an operating perspective, achieving sustainable growth, whilst managing risk is an ongoing balancing act, of which we strive to maintain healthy levels in both parameters. These profits allow us to meet our charter to return profits back to the local community.

2023 was a year of consolidation for our people here at Community Bank Beechworth & District. In June 2023 we had two team members celebrate their one-year anniversary, Melody McHale and Lauren Bell. Congratulations to Lauren Bell on her promotion to Customer Service Officer at Bendigo Bank Albury. Congratulations to Melody McHale on your promotion to Customer Relationship Officer. Congratulations to Lorri Campbell for celebrating two years with Community Bank Beechworth & District and on your promotion to Home Lending Specialist.

We welcomed Joanne Terry to the branch in the role of Customer Service Officer. Jo comes with a wealth of experience from Community Bank Nathalia. We welcomed Desley Brown to the role of Customer Service Officer in June, and she is already going from strength to strength and will be a wonderful additional to the team.

The growth in the business has supported Community Bank Beechworth & District to continue providing grants and sponsorship to local community groups. This year we announced over $70,000 in grants, sponsorship and donations. It gives us great pleasure to be able to give back to our local community in such a meaningful way.

I would like to thank the Bendigo Bank supporting roles namely our mobile bankers, our business bankers, and the Rural Bank team for their continued support throughout the year, as well as the Wealth and Insurance teams. I would like to acknowledge Galan Murani (Regional Manager) and Tim Dean (Risk and Compliance) and their teams who provide the support on the day-to-day operations of the branch.

I would also like to thank on behalf of myself and the team, the Board that sits behind us. Their tireless support, done through their volunteer hours, is the glue that keeps the branch together. Chair of the Board Jenny Lucas, and acting Chair Ben Merritt, thank you for your guidance throughout the year, and to the rest of the group for your tireless passion and assistance, your knowledge and your expertise, your connection to the community and your dedication is wonderfully appreciated, and is a testament to yourselves.

I would like to again thank the current team, Lorri Campbell, Melody McHale, Joanne Terry and Desley Brown for your hard work in what has proved to be a challenging economic climate for lending. You dedication to your roles is critical to the success of this business.

Last but certainly not least, a huge thank you comes to our shareholders who trust us with their invested funds. To the customers, who place their faith in Community Bank Beechworth & District to provide them with the banking solutions to best fit their needs and to the businesses who choose us as their port of call, we thank you.

We look forward to 2024 bringing the same successes as previous years, and to all the exciting community projects we will continue to support.

Thank you for your faith and your trust in us here at Community Bank Beechworth & District, thank you for brightening our days with your smiles.

**Karlene Beck**
**Branch Manager**
**Community Bank Beechworth & District**

# Bendigo and Adelaide Bank report

For year ending 30 June 2023

Community and customer will always be at the heart of what we do at Bendigo and Adelaide Bank.

Together, we're setting up Community Banking for the future – growing our impact as a leading social impact movement to transform communities across Australia.

As we continue to evolve to meet the needs of our customers, we should feel proud that more Australians are choosing to do their banking with us and trust us with their financial goals. Our position as Australia's most trusted bank (Roy Morgan) reflects the esteem we are held in by our customers, and communities.

This year has been particularly significant for us. After five years apart, we had the opportunity to come together in person and connect through our State Connect program and in Bendigo at our National Conference in September. It has also been a record-breaking year for Community Bank with more than $32 million invested into local communities nationwide. This is our highest year on record and underscores our ongoing commitment to our customers and communities.

Reflecting on the 25 years since we opened our first Community Bank, I'm so grateful to the hard work of many passionate Directors (past and present). Everything we have done and continue to do is focused on our purpose to feed into the prosperity of our customers and communities, not off it.

On behalf of the Bank, thank you for continuing to play an essential role in supporting your community. I look forward to seeing us grow together and make a positive impact for generations to come.

**Justine Minne**
**Bendigo and Adelaide Bank**

# Directors' report

**30 June 2023**

The directors present their report, together with the financial statements, on the company for the year ended 30 June 2023.

**Directors**
The following persons were directors of the company during the whole of the financial year and up to the date of this report, unless otherwise stated:

| | |
|---|---|
| Name: | Jennifer Lucas |
| Title: | Non-executive director |
| Experience and expertise: | Jenny continues to live in Wooragee with her husband Warren and has done so for past 34 years. She is a Business Owner/Manager of her family owned business Lucas Mill Pty Ltd and employ 30 staff. She and Warren also run their agricultural business in Wooragee and Leneva where they produce Prime lambs, Wool and Angus vealers each year. Jenny has a past history of nursing and has a very keen interest with local health issues. She has been on the board for six years and currently holds the position of Vice chair for the third year. Jenny has previously held treasurer and president in number of local community groups, but is currently only on the board of our local Community Bank branch. Executive Committee for our Community Bank branch. |
| Special responsibilities: | Chairperson |

| | |
|---|---|
| Name: | Benjamin Merritt |
| Title: | Non-executive director |
| Experience and expertise: | He has a Forest Science degree from the University of Melbourne and a degree in Adult education and training from the University of Tasmania. He has spent 26 years working for land and vegetation fire management agencies in Victoria and Tasmania and am currently the Community Partnership Support Officer for the Ovens district of Forest Fire Management Victoria. He has played a variety of sports including football and hockey and believe that everybody should make a larger contribution to their community than just paying their rates and taxes. As a result he has been on the committee of the Beechworth and District Hockey club and also the local sports park committee of management, each for more than 6 years since 2010 and also has coached junior sports teams. He has just commenced with the community bank board and is looking forward to remaining in this role for years to come. |
| Special responsibilities: | Deputy Chair |

| | |
|---|---|
| Name: | Darren Carr |
| Title: | Non-executive director |
| Experience and expertise: | Darren has been involved in various committees including the Beechworth Chamber of Commerce and the Beechworth Men's Shed. He currently owns and operates Beechworth home Hardware and has served on the Board since 2011. |
| Special responsibilities: | Nil |

| | |
|---|---|
| Name: | Stephen Graham |
| Title: | Non-executive director |
| Experience and expertise: | Currently holding a senior management position with Rivalea Australia Pty Ltd with 24 years of experience in Sales and Account Management, Strategic Planning and Project Management with previous experiences in retail management roles. Holding a Diploma in Business Management along with a long term employment in regional area, a passion for local community has grown. |
| Special responsibilities: | Grants Committee |

| | |
|---|---|
| Name: | Jaclyn Hall |
| Title: | Non-executive director |
| Experience and expertise: | After some 40 years of HR, marketing and operational experience with Melbourne's leading prestigious real estate companies, Jackie is delighted to be able to add value to the Board. |
| Special responsibilities: | Member of Grants Committee |

| | |
|---|---|
| Name: | Mark Hopp |
| Title: | Non-executive director |
| Experience and expertise: | Mark is the Area Manager for the Brown Family Wine Group - 20 years. Previously Account Manager at Unilever Australia for 12 years. Mark's qualifications include a Bachelor of Business from Charles Sturt University. |
| Special responsibilities: | Nil |

| | |
|---|---|
| Name: | Susan Humphris |
| Title: | Non-executive director |
| Experience and expertise: | Certificate in Caravan Park operations, Frontline Management, Office Administration & Workplace Training & Assessment. Past Secretary of the Beechworth Chamber of Commerce and current secretary of the Victorian Caravan Parks North East Division. Contributed to many local organisations. Has been self employed and working in the caravan park industry for the past 14 years. |
| Special responsibilities: | Secretary, Public Officer and manage Low Volume Market |

| | |
|---|---|
| Name: | Jan Carberry |
| Title: | Non-executive director |
| Experience and expertise: | Financial Accountant for Brown Family Wine Group, previously Operations Manager for Private Portfolio Managers Pty Ltd. Qualifications include CPA Australia, Bachelor of Financial Administration and Graduate Certificate of Applied Finance and Investment. |
| Special responsibilities: | Treasurer |

| | |
|---|---|
| Name: | Beryl Strang |
| Title: | Non-executive director (resigned 20 December 2022) |
| Experience and expertise: | Beryl is a retired primary school teacher, with 40 years of experience in city and country schools, in Victoria and England. She has a B. Education, Diploma of Education (Primary) and a Graduate Diploma Librarianship. Beryl is involved currently in re-cataloguing and re-organising library collection of the Wangaratta Family History Society; volunteer with Beechworth Community Support Program. She was previously involved in Beechworth community groups, including Golden Horseshoes festival, Swimming Club, Hockey Club. |
| Special responsibilities: | Minute Secretary |

| | |
|---|---|
| Name: | Robin Gray |
| Title: | Non-executive director (resigned 20 December 2022) |
| Experience and expertise: | Robin's experience is focused on Operations and Sales in the Travel Industry. Owned and operated a retail Travel Agency, then moved to Air Ticket Consolidation and distribution of Air Ticketing platforms to retail Travel Agents worldwide. Robin has qualifications in Management, Sales, implementation, after sales service and business management including relationship building and troubleshooting. |
| Special responsibilities: | Secretary |

**Company secretary**
The company secretary is Susan Humphris. Susan was appointed to the position of company secretary on 11 October 2010.

**Principal activity**
The principal activity of the company during the financial year was facilitating Community Bank services under management rights of Bendigo and Adelaide Bank Limited (Bendigo Bank).

There have been no significant changes in the nature of this activity during the financial year.

**Review of operations**
The profit for the company after providing for income tax amounted to $162,164 (30 June 2022: $70,072).

The company has seen a significant increase in its revenue during the financial year. This is a result of the Reserve Bank of Australia (RBA) increasing the cash rate by 3.25% during the financial year moving from 0.85% to 4.10% as at 30 June 2023. The increased cash rate has had a direct impact on the revenue received by the company, increasing the net interest margin income received under the revenue share arrangement the company has with Bendigo Bank.

**Dividends**
During the financial year, the following dividends were provided for and paid. The dividends have been provided for in the financial statements.

| | 2023<br>$ |
|---|---|
| Fully franked dividend of 6 cents per share | 49,374 |

**Significant changes in the state of affairs**
There were no significant changes in the state of affairs of the company during the financial year.

**Matters subsequent to the end of the financial year**
No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

**Likely developments**
The company will continue its policy of facilitating banking services to the community.

**Environmental regulation**
The company is not subject to any significant environmental regulation under Australian Commonwealth or State law.

**Meetings of directors**
The number of directors meetings attended by each of the directors of the company during the financial year were:

| | Board | |
|---|---|---|
| | Eligible | Attended |
| Jennifer Lucas | 11 | 8 |
| Benjamin Merritt | 11 | 10 |
| Darren Carr | 11 | 7 |
| Stephen Graham | 11 | 3 |
| Jaclyn Hall | 11 | 10 |
| Mark Hopp | 11 | 4 |
| Susan Humphris | 11 | 10 |
| Jan Carberry | 11 | 8 |
| Beryl Strang | 4 | 4 |
| Robin Gray | 4 | 3 |

**Directors' benefits**
No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 21 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

**Directors' interests**
The interest in company shareholdings for each director are:

| | Balance at the start of the year | Changes | Balance at the end of the year |
|---|---|---|---|
| Jennifer Lucas | 10,000 | - | 10,000 |
| Benjamin Merritt | 5,000 | - | 5,000 |
| Darren Carr | 20,000 | - | 20,000 |
| Stephen Graham | - | - | - |
| Jaclyn Hall | - | - | - |
| Mark Hopp | - | - | - |
| Susan Humphris | 10,001 | - | 10,001 |
| Jan Carberry | - | - | - |
| Beryl Strang | 5,000 | - | 5,000 |
| Robin Gray | - | - | - |

**Indemnity and insurance of directors and officers**
The company has indemnified all directors and the manager in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as directors or manager of the company except where the liability arises out of conduct involving the lack of good faith.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance.

**Proceedings on behalf of the company**
No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

**Indemnity and insurance of auditor**
The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

**Non-audit services**
The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non-audit services provided during the year are set out in note 23 to the accounts.

The board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of the non-audit services is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the board to ensure they do not impact on the impartiality, integrity and objectivity of the auditor
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in *APES 110 Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the company, acting as an advocate for the company or jointly sharing risks and rewards.

**Auditor's independence declaration**
A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the directors

Benjamin Merritt
Chair

25 September 2023

# Auditor's independence declaration

Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550
ABN: 65 684 604 390
afs@afsbendigo.com.au
(03) 5443 0344

## Independent auditor's independence declaration under section 307C of the *Corporations Act 2001* to the Directors of Indigo Community Development Group Limited

As lead auditor for the audit of Indigo Community Development Group Limited for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been:

i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
ii) no contraventions of any applicable code of professional conduct in relation to the audit.

**Andrew Frewin Stewart**
61 Bull Street, Bendigo, Vic, 3550
Dated: 25 September 2023

**Joshua Griffin**
**Lead Auditor**

# Financial statements

**Indigo Community Development Group Limited**
**Statement of profit or loss and other comprehensive income**
**For the year ended 30 June 2023**

| | Note | 2023 $ | 2022 $ |
|---|---|---|---|
| Revenue from contracts with customers | 6 | 1,014,787 | 715,694 |
| Other revenue | | 14,151 | 15,497 |
| Finance revenue | | 1,582 | 3,848 |
| Total revenue | | 1,030,520 | 735,039 |
| Employee benefits expense | 7 | (320,407) | (285,699) |
| Advertising and marketing costs | | (2,504) | (2,458) |
| Occupancy and associated costs | | (9,137) | (9,448) |
| System costs | | (25,928) | (29,372) |
| Depreciation and amortisation expense | 7 | (59,188) | (61,556) |
| Finance costs | 7 | (7,342) | (8,758) |
| General administration expenses | | (83,638) | (73,840) |
| Total expenses before community contributions and income tax expense | | (508,144) | (471,131) |
| **Profit before community contributions and income tax expense** | | 522,376 | 263,908 |
| Charitable donations, sponsorship and grants expense | | (306,157) | (170,063) |
| **Profit before income tax expense** | | 216,219 | 93,845 |
| Income tax expense | 8 | (54,055) | (23,773) |
| **Profit after income tax expense for the year** | 17 | 162,164 | 70,072 |
| Other comprehensive income for the year, net of tax | | - | - |
| **Total comprehensive income for the year** | | 162,164 | 70,072 |
| | | **Cents** | **Cents** |
| Basic earnings per share | 25 | 19.71 | 8.52 |
| Diluted earnings per share | 25 | 19.71 | 8.52 |

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

**Indigo Community Development Group Limited**
**Statement of financial position**
**As at 30 June 2023**

| | Note | 2023 $ | 2022 $ |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 9 | 651,921 | 509,024 |
| Trade and other receivables | 10 | 100,796 | 67,629 |
| Total current assets | | 752,717 | 576,653 |
| **Non-current assets** | | | |
| Property, plant and equipment | 11 | 87,381 | 108,771 |
| Right-of-use assets | 12 | 75,133 | 99,501 |
| Intangible assets | 13 | 40,644 | 54,074 |
| Deferred tax assets | 8 | 18,277 | 13,556 |
| Total non-current assets | | 221,435 | 275,902 |
| **Total assets** | | 974,152 | 852,555 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 14 | 7,242 | 9,704 |
| Lease liabilities | 15 | 35,015 | 32,250 |
| Current tax liabilities | 8 | 44,640 | 9,470 |
| Employee benefits | | 7,563 | 863 |
| Total current liabilities | | 94,460 | 52,287 |
| **Non-current liabilities** | | | |
| Lease liabilities | 15 | 81,274 | 116,288 |
| Employee benefits | | 800 | 79 |
| Lease make good provision | | 19,849 | 18,922 |
| Total non-current liabilities | | 101,923 | 135,289 |
| **Total liabilities** | | 196,383 | 187,576 |
| **Net assets** | | 777,769 | 664,979 |
| **Equity** | | | |
| Issued capital | 16 | 802,117 | 802,117 |
| Accumulated losses | 17 | (24,348) | (137,138) |
| **Total equity** | | 777,769 | 664,979 |

*The above statement of financial position should be read in conjunction with the accompanying notes*

## Indigo Community Development Group Limited
## Statement of changes in equity
## For the year ended 30 June 2023

| | Note | Issued capital $ | Accumulated losses $ | Total equity $ |
|---|---|---|---|---|
| **Balance at 1 July 2021** | | 802,117 | (157,836) | 644,281 |
| Profit after income tax expense | | - | 70,072 | 70,072 |
| Other comprehensive income, net of tax | | - | - | - |
| Total comprehensive income | | - | 70,072 | 70,072 |
| *Transactions with owners in their capacity as owners:* | | | | |
| Dividends provided for | 19 | - | (49,374) | (49,374) |
| **Balance at 30 June 2022** | | 802,117 | (137,138) | 664,979 |

| | Note | Issued capital $ | Accumulated losses $ | Total equity $ |
|---|---|---|---|---|
| **Balance at 1 July 2022** | | 802,117 | (137,138) | 664,979 |
| Profit after income tax expense | | - | 162,164 | 162,164 |
| Other comprehensive income, net of tax | | - | - | - |
| Total comprehensive income | | - | 162,164 | 162,164 |
| *Transactions with owners in their capacity as owners:* | | | | |
| Dividends provided for | 19 | - | (49,374) | (49,374) |
| **Balance at 30 June 2023** | | 802,117 | (24,348) | 777,769 |

*The above statement of changes in equity should be read in conjunction with the accompanying notes*

**Indigo Community Development Group Limited**
**Statement of cash flows**
**For the year ended 30 June 2023**

| | Note | 2023 $ | 2022 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers (inclusive of GST) | | 1,097,739 | 798,250 |
| Payments to suppliers and employees (inclusive of GST) | | (844,780) | (648,554) |
| Interest received | | 1,582 | 3,848 |
| Income taxes paid | | (23,606) | (14,547) |
| Net cash provided by operating activities | 24 | 230,935 | 138,997 |
| **Cash flows from investing activities** | | | |
| Payments for intangible assets | | - | (64,890) |
| Net cash used in investing activities | | - | (64,890) |
| **Cash flows from financing activities** | | | |
| Dividends paid | 19 | (49,374) | (49,374) |
| Repayment of lease liabilities | 15 | (38,664) | (37,539) |
| Net cash used in financing activities | | (88,038) | (86,913) |
| Net increase/(decrease) in cash and cash equivalents | | 142,897 | (12,806) |
| Cash and cash equivalents at the beginning of the financial year | | 509,024 | 521,830 |
| Cash and cash equivalents at the end of the financial year | 9 | 651,921 | 509,024 |

*The above statement of cash flows should be read in conjunction with the accompanying notes*

# Notes to the financial statements

## 30 June 2023

**Note 1. Reporting entity**

The financial statements cover Indigo Community Development Group Limited (the company) as an individual entity, which is a for-profit entity for financial reporting purposes under Australian Accounting

The company is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is 78 Ford Street, Beechworth VIC 3747.

A description of the nature of the company's operations and its principal activity is included in the directors' report, which is not part of the financial statements.

**Note 2. Basis of preparation and statement of compliance**

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB). The financial statements have been prepared on an accrual and historical cost basis and are presented in Australian dollars, which is the company's functional and presentation currency.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 25 September 2023. The directors have the power to amend and reissue the financial statements.

**Note 3. Significant accounting policies**

The company has consistently applied the following accounting policies to all periods presented in these financial statements.

**Changes in accounting policies, standards and interpretations**
There are a number of amendments to accounting standards issued by the AASB that became mandatorily effective for accounting periods beginning on or after 1 July 2022, and are therefore relevant for the current financial year. The amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

**Current and non-current classification**
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when, it is expected to be realised or intended to be sold or consumed in the company's normal operating cycle, it is held primarily for the purpose of trading, it is expected to be realised within 12 months after the reporting period or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when, it is either expected to be settled in the company's normal operating cycle, it is held primarily for the purpose of trading, it is due to be settled within 12 months after the reporting period or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

**Impairment**
*Non-derivative financial assets*
Expected credit losses (ECL) are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received. At each reporting date, the entity recognises the movement in the ECL (if any) as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

**Note 3. Significant accounting policies (continued)**

The company's trade receivables are limited to the monthly profit share distribution from Bendigo Bank, which is received 10 business days post month end. Due to the reliance on Bendigo Bank the company has reviewed credit ratings provided by Standard & Poors, Moody's and Fitch Ratings to determine the level of credit exposure to the company. The company also performed a historical assessment of receivables from Bendigo Bank and found no instances of default. As a result no ECL has been made in relation to trade receivables as at 30 June 2023.

*Non-financial assets*
At each reporting date, the company reviews the carrying amounts of its tangible assets and intangible assets to determine whether there is any indication those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

**Goods and Services Tax (GST)**
Revenues, expenses and assets are recognised net of the amount of GST, except when the amount of GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the revenue or expense item.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

**Note 4. Critical accounting judgements, estimates and assumptions**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events that it believes to be reasonable under the circumstances. Differences between the accounting judgements and estimates and actual results and outcomes are accounted for in future reporting periods. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

*Estimation of useful lives of assets*
The company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives or assets that have been abandoned or sold will be written off or written down.

*Impairment of non-financial assets*
The company assesses impairment of non-financial assets at each reporting date by evaluating conditions specific to the company and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined as the higher of its fair value less costs of disposal or value-in-use, each of which incorporate a number of key estimates and assumptions.

*Recovery of deferred tax assets*
Deferred tax assets are recognised for deductible temporary differences only if the company considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

**Note 4. Critical accounting judgements, estimates and assumptions (continued)**

*Lease term*
The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the company's operations, comparison of terms and conditions to prevailing market rates, incurrence of significant penalties, existence of significant leasehold improvements and the costs and disruption to replace the asset. The company reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

*Incremental borrowing rate*
Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the company estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

*Lease make good provision*
A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

**Note 5. Economic dependency**

The company has entered into a franchise agreement with Bendigo Bank that governs the management of the Community Bank. The company is economically dependent on the ongoing receipt of income under the franchise agreement with Bendigo Bank. The directors have no reason to believe a new franchise arrangement under mutually acceptable terms will not be forthcoming following expiry in September 2026.

The company operates as a franchise of Bendigo Bank, using the name “Bendigo Bank” and the logo and system of operations of Bendigo Bank. The company manages the Community Bank on behalf of Bendigo Bank, however all transactions with customers conducted through the Community Bank are effectively conducted between the customers and Bendigo Bank.

All deposits are made with Bendigo Bank, and all personal and investment products are products of Bendigo Bank, with the company facilitating the provision of those products. All loans, leases or hire purchase transactions, issues of new credit or debit cards, temporary or bridging finance and any other transaction that involves creating a new debt, or increasing or changing the terms of an existing debt owed to Bendigo Bank, must be approved by Bendigo Bank. All credit transactions are made with Bendigo Bank, and all credit products are products of Bendigo Bank.

The company promotes and sells the products and services, but is not a party to the transaction.

The credit risk (i.e. the risk that a customer will not make repayments) is for the Bendigo Bank to bear as long as the company has complied with the appropriate procedures and relevant obligations and has not exercised a discretion in granting or extending credit.

**Note 5. Economic dependency (continued)**

Bendigo Bank provides significant assistance in establishing and maintaining the Community Bank franchise operations. It also continues to provide ongoing management and operational support and other assistance and guidance in relation to all aspects of the franchise operation, including advice and assistance in relation to:

- the design, layout and fit out of the Community Bank premises
- training for the branch manager and other employees in banking, management systems and interface protocol
- methods and procedures for the sale of products and provision of services
- security and cash logistic controls
- calculation of company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs
- sales techniques and proper customer relations
- providing payroll services.

**Note 6. Revenue from contracts with customers**

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Margin income | 921,212 | 619,323 |
| Fee income | 38,334 | 39,695 |
| Commission income | 55,241 | 56,676 |
| | 1,014,787 | 715,694 |

The company has entered into a franchise agreement with Bendigo Bank. The company delivers banking and financial services of Bendigo Bank to its community. The franchise agreement provides for a share of interest, fee, and commission revenue earned by the company. Interest margin share is based on a funds transfer pricing methodology which recognises that income is derived from deposits held, and that loans granted incur a funding cost. Fees are based on the company's current fee schedule and commissions are based on the agreements in place. All margin revenue is recorded as non-interest income when the company's right to receive the payment is established.

The company acts as an agent under the franchise agreement and revenue arises from the rendering of services through its franchise agreement.

Revenue is recognised on an accruals basis, at the fair value of consideration specified in the franchise agreement. Under *AASB 15 Revenue from Contracts with Customers* (AASB 15), revenue recognition for the company's revenue stream is as follows:

| Revenue stream | Includes | Performance obligation | Timing of recognition |
|---|---|---|---|
| Franchise agreement profit share | Margin, commission, and fee income | When the company satisfies its obligation to arrange for the services to be provided to the customer by the supplier (Bendigo Bank as franchisor). | On completion of the provision of the relevant service. Revenue is accrued monthly and paid within 10 business days after the end of each month. |

All revenue is stated net of the amount of GST. There was no revenue from contracts with customers recognised over time during the financial year.

*Revenue calculation*
The franchise agreement provides that three forms of revenue may be earned by the company which are margin, commission and fee income. Bendigo Bank decides the form of revenue the company earns on different types of products and services. The revenue earned by the company is dependent on the business that it generates.

**Note 6. Revenue from contracts with customers (continued)**

*Margin income*
Margin on the core banking products is arrived at through the following calculation:

| | |
|---|---|
| | Interest paid by customers on loans less interest paid to customers on deposits |
| **plus:** | any deposit returns i.e. interest return applied by Bendigo Bank for a deposit |
| **minus:** | any costs of funds i.e. interest applied by Bendigo Bank to fund a loan. |

The company is entitled to a share of the margin earned by Bendigo Bank. If this reflects a loss, the company incurs a share of that loss.

*Commission income*
Commission income is in the form of commission generated for products and services sold. This commission is recognised at a point in time which reflects when the company has fulfilled its performance obligation.

The company receives trailing commission for products and services sold. Ongoing trailing commission payments are recognised on receipt as there is insufficient detail readily available to estimate the most likely amount of income without a high probability of significant reversal in a subsequent reporting period. The receipt of ongoing trailing commission income is outside the control of the company, and is a significant judgement area.

*Fee income*
Fee income is a share of what is commonly referred to as 'bank fees and charges' charged to customers by Bendigo Bank including fees for loan applications and account transactions.

*Core banking products*
Bendigo Bank has identified some products and services as 'core banking products'. It may change the products and services which are identified as core banking products by giving the company at least 30 days notice. Core banking products currently include Bendigo Bank branded home loans, term deposits and at call deposits.

*Ability to change financial return*
Under the franchise agreement, Bendigo Bank may change the form and amount of financial return the company receives. The reasons it may make a change include changes in industry or economic conditions or changes in the way Bendigo Bank earns revenue.

The change may be to the method of calculation of margin, the amount of margin, commission and fee income or a change of a margin to a commission or vice versa. This may affect the amount of revenue the company receives on a particular product or service.

Bendigo Bank must not reduce the margin and commission the company receives on core banking products and services to less than 50% (on an aggregate basis) of Bendigo Bank's margin at that time. For other products and services, there is no restriction on the change Bendigo Bank may make.

**Note 7. Expenses**

**Employee benefits expense**

| | **2023** **$** | **2022** **$** |
|---|---:|---:|
| Wages and salaries | 278,771 | 239,375 |
| Superannuation contributions | 28,476 | 25,348 |
| Expenses related to long service leave | 954 | 2,640 |
| Other expenses | 12,206 | 18,336 |
| | 320,407 | 285,699 |

**Note 7. Expenses (continued)**

**Depreciation and amortisation expense**

| | 2023 $ | 2022 $ |
|---|---|---|
| *Depreciation of non-current assets* | | |
| Leasehold improvements | 18,421 | 18,843 |
| Plant and equipment | 1,949 | 1,950 |
| Motor vehicles | 1,020 | 3,411 |
| | 21,390 | 24,204 |
| *Depreciation of right-of-use assets* | | |
| Leased land and buildings | 24,368 | 24,298 |
| *Amortisation of intangible assets* | | |
| Franchise fee | 2,239 | 2,176 |
| Franchise renewal fee | 11,191 | 10,878 |
| | 13,430 | 13,054 |
| | 59,188 | 61,556 |

**Leases recognition exemption**

| | 2023 $ | 2022 $ |
|---|---|---|
| Expenses relating to low-value leases | 9,789 | 13,247 |

The company pays for the right to use information technology equipment. The underlying assets have been assessed as low value and exempted from recognition under *AASB 16 Leases*. Expenses relating to low-value exempt leases are included in system costs expenses.

**Charitable donations, sponsorships and grants expense**

| | 2023 $ | 2022 $ |
|---|---|---|
| Direct donation, sponsorship and grant payments | 56,157 | 50,063 |
| Contribution to the Community Enterprise Foundation™ (CEF) | 250,000 | 120,000 |
| | 306,157 | 170,063 |

The overarching philosophy of the Community Bank model, is to support the local community in which the company operates. This is achieved by circulating the flow of financial capital into the local economy through community contributions (such as donations, sponsorships and grants).

The funds contributed to and held by the CEF are available for distribution as grants to eligible applicants for a specific purpose in consultation with the directors.

When the company pays a contribution in to the CEF, the company loses control over the funds at that point. While the directors are involved in the payment of grants, the funds are not refundable to the company.

### Note 8. Income tax

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| *Income tax expense* | | |
| Current tax | 58,776 | 27,950 |
| Movement in deferred tax | (4,721) | (4,177) |
| Aggregate income tax expense | 54,055 | 23,773 |
| *Prima facie income tax reconciliation* | | |
| Profit before income tax expense | 216,219 | 93,845 |
| Tax at the statutory tax rate of 25% | 54,055 | 23,461 |
| Tax effect of: | | |
| Non-deductible expenses | - | 312 |
| Income tax expense | 54,055 | 23,773 |

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| *Deferred tax assets/(liabilities)* | | |
| Property, plant and equipment | 1,639 | (2,966) |
| Employee benefits | 2,091 | 236 |
| Provision for lease make good | 4,962 | 4,731 |
| Accrued expenses | 43 | 42 |
| Income accruals | (747) | (747) |
| Lease liabilities | 29,072 | 37,135 |
| Right-of-use assets | (18,783) | (24,875) |
| Deferred tax asset | 18,277 | 13,556 |

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Provision for income tax | 44,640 | 9,470 |

*Accounting policy for income tax*
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

*Accounting policy for current tax*
Current tax assets and liabilities are measured at amounts expected to be recovered from or paid to the taxation authorities. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

*Accounting policy for deferred tax*
Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for all deductible temporary differences, carried-forward tax losses, and unused tax credits to the extent that it is probable that future taxable profits will be available against which they can be used.

**Note 8. Income tax (continued)**

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax is measured at the rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the entity intends to settle its tax assets and liabilities on a net basis.

**Note 9. Cash and cash equivalents**

| | **2023 $** | **2022 $** |
|---|---|---|
| Cash at bank and on hand | 238,187 | 96,872 |
| Term deposits | 413,734 | 412,152 |
| | 651,921 | 509,024 |

*Accounting policy for cash and cash equivalents*
For the purposes of the Statement of Financial Position and Statement of Cash Flows, cash and cash equivalents comprise cash on hand and deposits held with banks.

**Note 10. Trade and other receivables**

| | **2023 $** | **2022 $** |
|---|---|---|
| Trade receivables | 91,524 | 57,850 |
| Other receivables and accruals | - | 865 |
| Accrued income | 2,986 | 2,986 |
| Prepayments | 6,286 | 5,928 |
| | 9,272 | 9,779 |
| | 100,796 | 67,629 |

*Accounting policy for trade and other receivables*
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

**Note 11. Property, plant and equipment**

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Leasehold improvements - at cost | 219,492 | 219,492 |
| Less: Accumulated depreciation | (140,622) | (122,201) |
| | 78,870 | 97,291 |
| Plant and equipment - at cost | 43,250 | 43,250 |
| Less: Accumulated depreciation | (34,739) | (32,790) |
| | 8,511 | 10,460 |
| Motor vehicles - at cost | 17,056 | 17,056 |
| Less: Accumulated depreciation | (17,056) | (16,036) |
| | - | 1,020 |
| | 87,381 | 108,771 |

Reconciliations of the carrying values at the beginning and end of the current and previous financial year are set out below:

| | Leasehold improvements<br>$ | Plant and equipment<br>$ | Motor vehicles<br>$ | Total<br>$ |
|---|---|---|---|---|
| Balance at 1 July 2021 | 116,134 | 12,410 | 4,431 | 132,975 |
| Depreciation | (18,843) | (1,950) | (3,411) | (24,204) |
| Balance at 30 June 2022 | 97,291 | 10,460 | 1,020 | 108,771 |
| Depreciation | (18,421) | (1,949) | (1,020) | (21,390) |
| Balance at 30 June 2023 | 78,870 | 8,511 | - | 87,381 |

*Accounting policy for property, plant and equipment*
Items of property, plant and equipment are measured at cost or fair value as applicable, less accumulated depreciation. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

| | |
|---|---|
| Leasehold improvements | 4 to 20 years |
| Plant and equipment | 1 to 40 years |
| Motor vehicles | 5 years |

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

*Changes in estimates*
During the financial year, the company assessed estimates used for property, plant and equipment including useful lives, residual values, and depreciation methods. There were no changes in estimates for the current reporting period.

**Note 12. Right-of-use assets**

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Land and buildings - right-of-use | 365,340 | 365,340 |
| Less: Accumulated depreciation | (290,207) | (265,839) |
| | 75,133 | 99,501 |

Reconciliations of the carrying values at the beginning and end of the current and previous financial year are set out below:

| | Land and buildings<br>$ |
|---|---|
| Balance at 1 July 2021 | 119,641 |
| Remeasurement adjustments | 4,158 |
| Depreciation expense | (24,298) |
| Balance at 30 June 2022 | 99,501 |
| Depreciation expense | (24,368) |
| Balance at 30 June 2023 | 75,133 |

*Accounting policy for right-of-use assets*
A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

Refer to note 15 for more information on lease arrangements.

**Note 13. Intangible assets**

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Franchise fee | 32,007 | 32,007 |
| Less: Accumulated amortisation | (25,233) | (22,995) |
| | 6,774 | 9,012 |
| Franchise renewal fee | 110,036 | 110,036 |
| Less: Accumulated amortisation | (76,166) | (64,974) |
| | 33,870 | 45,062 |
| | 40,644 | 54,074 |

**Note 13. Intangible assets (continued)**

Reconciliations of the carrying values at the beginning and end of the current and previous financial year are set out below:

| | Franchise fee $ | Franchise renewal fee $ | Total $ |
|---|---|---|---|
| Balance at 1 July 2021 | 374 | 1,864 | 2,238 |
| Additions | 10,815 | 54,075 | 64,890 |
| Amortisation expense | (2,176) | (10,878) | (13,054) |
| Balance at 30 June 2022 | 9,013 | 45,061 | 54,074 |
| Amortisation expense | (2,239) | (11,191) | (13,430) |
| Balance at 30 June 2023 | 6,774 | 33,870 | 40,644 |

*Accounting policy for intangible assets*
Intangible assets of the company relate to the franchise fees paid to Bendigo Bank which conveys the right to operate the Community Bank franchise.

Intangible assets are measured on initial recognition at cost. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

The franchise fees paid by the company are amortised over their useful life and assessed for impairment whenever impairment indicators are present.

The estimated useful life and amortisation method for the current and comparative periods are as follows:

| Asset class | Method | Useful life | Expiry/renewal date |
|---|---|---|---|
| Franchise fee | Straight-line | Over the franchise term (5 years) | September 2026 |
| Franchise renewal fee | Straight-line | Over the franchise term (5 years) | September 2026 |

Amortisation methods, useful life, and residual values are reviewed and adjusted, if appropriate, at each reporting date.

*Change in estimates*
During the financial year, the company assessed estimates used for intangible assets including useful lives, residual values, and amortisation methods. There were no changes in estimates for the current reporting period.

**Note 14. Trade and other payables**

| | **2023 $** | **2022 $** |
|---|---|---|
| *Current liabilities* | | |
| Trade payables | 3,686 | 6,200 |
| Other payables and accruals | 3,556 | 3,504 |
| | 7,242 | 9,704 |

*Accounting policy for trade and other payables*
These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Where the company is liable to settle the amount within 12 months of the reporting date, the liability is classified as current. All other obligations are classified as non-current.

**Note 15. Lease liabilities**

| | 2023 $ | 2022 $ |
|---|---|---|
| *Current liabilities* | | |
| Land and buildings lease liabilities | 39,825 | 38,665 |
| Unexpired interest | (4,810) | (6,415) |
| | 35,015 | 32,250 |
| *Non-current liabilities* | | |
| Land and buildings lease liabilities | 85,565 | 125,389 |
| Unexpired interest | (4,291) | (9,101) |
| | 81,274 | 116,288 |

*Reconciliation of lease liabilities*

| | 2023 $ | 2022 $ |
|---|---|---|
| Opening balance | 148,538 | 174,044 |
| Remeasurement adjustments | - | 4,158 |
| Lease interest expense | 6,415 | 7,875 |
| Lease payments - total cash outflow | (38,664) | (37,539) |
| | 116,289 | 148,538 |

*Maturity analysis*

| | 2023 $ | 2022 $ |
|---|---|---|
| Not later than 12 months | 39,825 | 38,665 |
| Between 12 months and 5 years | 85,565 | 125,389 |
| | 125,390 | 164,054 |

*Accounting policy for lease liabilities*
Lease liabilities were measured at amounts equal to the present value of enforceable future payments of the term reasonably expected to be exercised, discounted at the appropriate incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed lease payments that depend on an index or rate and lease payments in a renewal option if the company is reasonably certain to exercise that option. For leases of property the company has elected to separate lease and non-lease components when calculating the lease liability.

The company has applied judgement in estimating the remaining lease term including the effects of any extension options reasonably expected to be exercised, applying hindsight where appropriate.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if the company changes its assessment of whether it will exercise an extension option, or if there is a revised in-substance fixed lease payment.

The company assesses at the lease commencement date whether it is reasonably certain to exercise extension options. The company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

**Note 15. Lease liabilities (continued)**

Where the company is a lessee for the premises to conduct its business, extension options are included in the lease term except when the company is reasonably certain not to exercise the extension option. This is due to the significant disruption of relocating premises and the loss on disposal of leasehold improvements fitted out in the leased premises.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to nil.

The company's lease portfolio includes:

| Lease | Discount rate | Non-cancellable term | Renewal options available | Reasonably certain to exercise options | Lease term end date used in calculations |
|---|---|---|---|---|---|
| Beechworth Branch | 4.79 % | 5 years | N/A | N/A | July 2026 |

**Note 16. Issued capital**

| | 2023 Shares | 2022 Shares | 2023 $ | 2022 $ |
|---|---|---|---|---|
| Ordinary shares - fully paid | 822,897 | 822,897 | 822,897 | 822,897 |
| Less: Equity raising costs | - | - | (20,780) | (20,780) |
| | 822,897 | 822,897 | 802,117 | 802,117 |

*Accounting policy for issued capital*
Ordinary shares are recognised at the fair value of the consideration received by the company being $1 per share. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

***Rights attached to issued capital***

*Ordinary shares*
Voting rights
Subject to some limited exceptions, each member has the right to vote at a general meeting.

On a show of hands or a poll, each member attending the meeting (whether they are attending the meeting in person or by attorney, corporate representative or proxy) has one vote, regardless of the number of shares held. However, where a person attends a meeting in person and is entitled to vote in more than one capacity (for example, the person is a member and has also been appointed as proxy for another member) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a member and one vote for each other member that person represents as duly appointed attorney, corporate representative or proxy.

The purpose of giving each member only one vote, regardless of the number of shares held, is to reflect the nature of the company as a community based company, by providing that all members of the community who have contributed to the establishment and ongoing operation of the Community Bank branch have the same ability to influence the operation of the company.

Dividends
Generally, dividends are payable to members in proportion to the amount of the share capital paid up on the shares held by them, subject to any special rights and restrictions for the time being attaching to shares. The franchise agreement with Bendigo Bank contains a limit on the level of profits or funds that may be distributed to shareholders. There is also a restriction on the payment of dividends to certain shareholders if they have a prohibited shareholding interest (see below).

Transfer
Generally, ordinary shares are freely transferable. However, the directors have a discretion to refuse to register a transfer of shares.

**Note 16. Issued capital (continued)**

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the company's constitution and the *Corporations Act 2001*.

*Prohibited shareholding interest*
A person must not have a prohibited shareholding interest in the company.

In summary, a person has a prohibited shareholding interest if any of the following applies:

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 280. As at the date of this report, the company had 318 shareholders (2022: 318 shareholders).

As with voting rights, the purpose of this prohibited shareholding provision is to reflect the community-based nature of the company.

Where a person has a prohibited shareholding interest, the voting and dividend rights attaching to the shares in which the person (and their associates) has a prohibited shareholding interest in are suspended.

The board has the power to request information from a person who has (or is suspected by the board of having) a legal or beneficial interest in any shares in the company or any voting power in the company, for the purpose of determining whether a person has a prohibited shareholding interest. If the board becomes aware that a member has a prohibited shareholding interest, it must serve a notice requiring the member (or the member's associate) to dispose of the number of shares the board considers necessary to remedy the breach. If a person fails to comply with such a notice within a specified period (that must be between three and six months), the board is authorised to sell the specified shares on behalf of that person. The holder will be entitled to the consideration from the sale of the shares, less any expenses incurred by the board in selling or otherwise dealing with those shares.

In the constitution, members acknowledge and recognise that the exercise of the powers given to the board may cause considerable disadvantage to individual members, but that such a result may be necessary to enforce the prohibition.

**Note 17. Accumulated losses**

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Accumulated losses at the beginning of the financial year | (137,138) | (157,836) |
| Profit after income tax expense for the year | 162,164 | 70,072 |
| Dividends paid (note 19) | (49,374) | (49,374) |
| Accumulated losses at the end of the financial year | (24,348) | (137,138) |

**Note 18. Capital management**

The board's policy is to maintain a strong capital base so as to sustain future development of the company. The board monitor the return on capital and the level of distributions to shareholders. Capital is represented by total equity as recorded in the statement of financial position.

In accordance with the franchise agreement, in any 12 month period the funds distributed to shareholders shall not exceed the distribution limit.

**Note 18. Capital management (continued)**

The distribution limit is the greater of:
- 20% of the profit or funds of the company otherwise available for distribution to shareholders in that 12 month period; and
- subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the company over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the financial year can be seen in the statement of profit or loss and other comprehensive Income.

There were no changes in the company's approach to capital management during the year.

**Note 19. Dividends**

*Dividends provided for and paid during the period*
The following dividends were provided for and paid to shareholders during the financial year as presented in the Statement of changes in equity and Statement of cash flows.

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Fully franked dividend of 6 cents per share | 49,374 | 49,374 |

**Franking credits**

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Franking account balance at the beginning of the financial year | 74,197 | 74,940 |
| Franking credits (debits) arising from income taxes paid (refunded) | 28,226 | 15,715 |
| Franking debits from the payment of franked distributions | (16,458) | (16,458) |
| | 85,965 | 74,197 |
| *Franking transactions that will arise subsequent to the financial year end:* | | |
| Balance at the end of the financial year | 85,965 | 74,197 |
| Franking credits (debits) that will arise from payment (refund) of income tax | 44,639 | 14,090 |
| Franking credits available for future reporting periods | 130,604 | 88,287 |

The ability to utilise franking credits is dependent upon the company's ability to declare dividends. The tax rate at which future dividends will be franked is 25%.

*Accounting policy for dividends*
Dividends are recognised in the financial year they are declared.

**Note 20. Financial instruments**

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| **Financial assets** | | |
| Trade and other receivables | 94,510 | 61,701 |
| Cash and cash equivalents | 651,921 | 509,024 |
| | 746,431 | 570,725 |
| **Financial liabilities** | | |
| Trade and other payables | 7,242 | 9,704 |
| Lease liabilities | 116,289 | 148,538 |
| | 123,531 | 158,242 |

*Accounting policy for financial instruments*
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The company's financial instruments include trade debtors and creditors, cash and cash equivalents and lease liabilities.

**Note 20. Financial instruments (continued)**

Trade receivables are initially recognised at the transaction price when they originated. All other financial assets and financial liabilities are initially measured at fair value plus transaction costs (where applicable), when the company becomes a party to the contractual provisions of the instrument. These assets and liabilities are subsequently measured at amortised cost using the effective interest method.

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the rights are transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and rewards associated with the asset. Financial liabilities are derecognised when its contractual obligations are discharged, cancelled, or expire. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the company currently has a legally enforceable right to set off the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

***Financial risk management***
The company has exposure to credit, liquidity and market risk arising from financial instruments. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the company. The company does not use derivative instruments. Risk management is carried out directly by the board.

***Market risk***
Market risk is the risk that changes in market prices - e.g. foreign exchange rates, interest rates, and equity prices - will affect the company's income or the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The company has no exposure to any transactions denominated in a currency other than Australian dollars.

Interest-bearing assets and liabilities are held with Bendigo Bank and earnings on those are subject to movements in market interest. The company held cash and cash equivalents of $651,921 at 30 June 2023 (2022: $509,024).

***Price risk***
The company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The company is not exposed to commodity price risk.

***Credit risk***
Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's receivables from customers.

The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo Bank. The company monitors credit worthiness through review of credit ratings Bendigo Bank is rated BBB+ on Standard & Poor’s credit ratings.

***Liquidity risk***
Liquidity risk is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

*Exposure to liquidity risk*
The following are the remaining contractual maturities of financial liabilities. The contractual cash flow amounts are gross and undiscounted and therefore may differ from their carrying amount in the statement of financial position.

| **2023** | 1 year or less $ | Between 1 and 5 years $ | Over 5 years $ | Remaining contractual maturities $ |
|---|---|---|---|---|
| Trade and other payables | 7,242 | - | - | 7,242 |
| Lease liabilities | 39,825 | 85,565 | - | 125,390 |
| Total non-derivatives | 47,067 | 85,565 | - | 132,632 |

**Note 20. Financial instruments (continued)**

| 2022 | 1 year or less $ | Between 1 and 5 years $ | Over 5 years $ | Remaining contractual maturities $ |
|---|---|---|---|---|
| Trade and other payables | 9,704 | - | - | 9,704 |
| Lease liabilities | 38,665 | 125,389 | - | 164,054 |
| Total non-derivatives | 48,369 | 125,389 | - | 173,758 |

**Note 21. Key management personnel disclosures**

The following persons were directors of Indigo Community Development Group Limited during the financial year and/or up to the date of signing of these Financial Statements.

Jennifer Lucas
Benjamin Merritt
Darren Carr
Stephen Graham
Jaclyn Hall
Mark Hopp
Susan Humphris
Jan Carberry
Beryl Strang
Robin Gray

*Compensation*
Key management personnel compensation comprised the following.

| | 2023 $ | 2022 $ |
|---|---|---|
| Short-term employee benefits | 3,600 | 6,115 |

Compensation of the company's key management personnel includes Susan Humphris' remuneration for secretarial and administrative duties.

**Note 22. Related party transactions**

There were no transactions with related parties during the current and previous financial year.

**Note 23. Remuneration of auditors**

During the financial year the following fees were paid or payable for services provided by Andrew Frewin Stewart, the auditor of the company:

| | 2023 $ | 2022 $ |
|---|---|---|
| *Audit services* | | |
| Audit or review of the financial statements | 5,400 | 5,200 |
| *Other services* | | |
| Taxation advice and tax compliance services | 660 | 600 |
| General advisory services | 3,915 | 3,435 |
| Share registry services | 5,210 | 4,332 |
| | 9,785 | 8,367 |
| | 15,185 | 13,567 |

**Note 24. Reconciliation of profit after income tax to net cash provided by operating activities**

| | 2023 $ | 2022 $ |
|---|---|---|
| Profit after income tax expense for the year | 162,164 | 70,072 |
| Adjustments for: | | |
| Depreciation and amortisation | 59,188 | 61,556 |
| Lease liabilities interest | 6,415 | 7,875 |
| Change in operating assets and liabilities: | | |
| Increase in trade and other receivables | (33,167) | (8,524) |
| Decrease in income tax refund due | - | 3,933 |
| Increase in deferred tax assets | (4,721) | (4,177) |
| Decrease in trade and other payables | (2,462) | (2,048) |
| Increase in provision for income tax | 35,170 | 9,470 |
| Increase/(decrease) in employee benefits | 7,421 | (43) |
| Increase in other provisions | 927 | 883 |
| Net cash provided by operating activities | 230,935 | 138,997 |

**Note 25. Earnings per share**

| | 2023 $ | 2022 $ |
|---|---|---|
| Profit after income tax | 162,164 | 70,072 |
| | **Number** | **Number** |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 822,897 | 822,897 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 822,897 | 822,897 |
| | **Cents** | **Cents** |
| Basic earnings per share | 19.71 | 8.52 |
| Diluted earnings per share | 19.71 | 8.52 |

*Accounting policy for earnings per share*
Basic and diluted earnings per share is calculated by dividing the profit attributable to the owners of Indigo Community Development Group Limited, by the weighted average number of ordinary shares outstanding during the financial year.

**Note 26. Commitments**

The company has no commitments contracted for which would be provided for in future reporting periods.

**Note 27. Contingencies**

There were no contingent liabilities or contingent assets at the date of this report.

**Note 28. Events after the reporting period**

No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

# Directors' declaration

**30 June 2023**

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in the notes to the financial statements;
- the attached financial statements and notes give a true and fair view of the company's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the directors

Benjamin Merritt
Chair

25 September 2023

Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550
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## Independent auditor’s report to the Directors of Indigo Community Development Group Limited

### Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of Indigo Community Development Group Limited (the company), which comprises:

- Statement of financial position as at 30 June 2023
- Statement of profit or loss and other comprehensive income
- Statement of changes in equity
- Statement of cash flows
- Notes to the financial statements, including a summary of significant accounting policies
- The directors' declaration of the company.

In our opinion, the accompanying financial report of Indigo Community Development Group Limited, is in accordance with the *Corporations Act 2001*, including:

i. giving a true and fair view of the company’s financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Report* section of our report.

We are independent of the company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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## Other Information

The other information comprises the information included in the company's annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon. The annual report may also include "other information" on the company's operations and financial results and financial position as set out in the financial report, typically in a Chairman's report and Manager's report, and reports covering governance and shareholder matters.

The directors are responsible for the other information. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and accordingly we will not express any form of assurance conclusion thereon.

Our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If we identify that a material inconsistency appears to exist when we read the annual report (or become aware that the other information appears to be materially misstated), we will discuss the matter with the directors and where we believe that a material misstatement of the other information exists, we will request management to correct the other information. We have nothing to report in this regard.

## Responsibilities of the Directors for the Financial Report

The directors of the company are responsible for the preparation of the financial report that it gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the company's financial reporting process.

## Auditor's responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists.

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Misstatement can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Andrew Frewin Stewart**
61 Bull Street, Bendigo, Vic, 3550
Dated: 25 September 2023

**Joshua Griffin**
**Lead Auditor**

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Bendigo Bank